

AMENDED IN ASSEMBLY SEPTEMBER 6, 2013

AMENDED IN SENATE APRIL 1, 2013

**SENATE BILL**

**No. 398**

---

**Introduced by Senator Galgiani**

February 20, 2013

---

An act to amend ~~Section~~ *Sections 19556 and 19605.7* of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

SB 398, as amended, Galgiani. Horse racing: ~~charity days~~: distribution of proceeds.

Existing law requires each licensed racing association to designate a certain number of racing days to be conducted as charity days, and requires the net proceeds from those charity days to be distributed to beneficiaries who meet certain qualifications. Existing law also requires distributions to be made to certain nonprofit corporations and organizations, and requires that at least 20% of the distributions go to charities associated with the horse racing industry.

This bill, in addition to those required distributions, would authorize a separate distribution to be made to a nonprofit corporation or trust that has as its sole purpose the support of recognized fairs or the network of California fairs.

*Existing law requires that the total percentage deducted from wagers at satellite wagering facilities in the northern zone be the same as deductions for wagers at the racetrack where the racing meeting is being conducted. Existing law, until December 31, 2013, requires a certain amount to be distributed to a specified organization formed to operate the audiovisual signal system, with the mutual consent of the racing association, the organization representing the horsemen*

*participating in the meeting, and the board, and, beginning January 1, 2014, provides for a distribution for those purposes in accordance with a revised method of calculation.*

*This bill would extend those dates from December 31, 2013, to December 31, 2019, and from January 1, 2014, to January 1, 2020, respectively.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 19556 of the Business and Professions  
2     Code is amended to read:  
3     19556. (a) The distribution shall be made by the distributing  
4     agent to beneficiaries qualified under this article. For purposes of  
5     this article, a beneficiary shall be all of the following:  
6     (1) A nonprofit corporation or organization entitled by law to  
7     receive a distribution made by a distributing agent.  
8     (2) Exempt or entitled to an exemption from taxes measured by  
9     income imposed by this state and the United States.  
10    (3) Engaged in charitable, benevolent, civic, religious,  
11    educational, or veterans' work similar to that of agencies  
12    recognized by an organized community chest in the State of  
13    California, except that the funds so distributed may be used by the  
14    beneficiary for capital expenditures.  
15    (4) Approved by the board.  
16    (b) At least 20 percent of the distribution shall be made to  
17    charities associated with the horse racing industry. In addition to  
18    this 20 percent of the distribution, another 5 percent of the  
19    distribution shall be paid to a welfare fund described in subdivision  
20    (b) of Section 19641 and another 5 percent of the distribution shall  
21    be paid to a nonprofit corporation, the primary purpose of which  
22    is to assist horsemen, horsewomen, and backstretch personnel who  
23    are being affected adversely as a result of alcohol or substance  
24    abuse. No beneficiary otherwise qualified under this section to  
25    receive charity day net proceeds shall be excluded on the basis  
26    that the beneficiary provides charitable benefits to persons  
27    connected with the care, training, and running of racehorses, except  
28    that type of beneficiary shall make an accounting to the board  
29    within one calendar year of the date of receipt of any distribution.

(c) (1) In addition to the distribution pursuant to subdivision (b), a separate 20 percent of the distribution shall be made to a nonprofit corporation or trust, the directors or trustees of which shall serve without compensation except for reimbursement for reasonable expenses, and which has as its sole purpose the accumulation of endowment funds, the income on which shall be distributed to qualified disabled jockeys.

(2) To receive a distribution under this subdivision, a corporation or trust must establish objective qualifications for disabled jockeys, and provide an annual accounting and report to the board on its activities indicating compliance with the requirements of this subdivision.

(3) The nonprofit corporation or trust shall, in an amount proportional to the contributions received pursuant to this subdivision as a percentage of the total contributions received by the corporation or trust, give preference in assisting qualified disabled jockeys to the following:

(A) Jockeys who were disabled while participating in the racing or training of horses at licensed racing associations or approved training facilities in California.

(B) Jockeys licensed by the board who were disabled while participating in the racing or training of horses in a state other than California.

(d) When the nonprofit corporation or trust described in subdivision (c) has received distributions in an amount equal to two million dollars (\$2,000,000), the distribution mandated by subdivision (c) shall cease.

(e) In addition to the distributions pursuant to subdivisions (b) and (c), a separate distribution may be made to a nonprofit corporation or trust that has as its sole purpose the support of recognized fairs or the network of California fairs.

*SEC. 2. Section 19605.7 of the Business and Professions Code is amended to read:*

19605.7. The total percentage deducted from wagers at satellite wagering facilities in the northern zone shall be the same as the deductions for wagers at the racetrack where the racing meeting is being conducted and shall be distributed as set forth in this section. Amounts deducted under this section shall be distributed as follows:

1 (a) (1) For thoroughbred meetings, 1.3 percent of the amount  
2 handled by the satellite wagering facility on conventional and  
3 exotic wagers shall be distributed to the racing association for  
4 payment to the state as a license fee, 2 percent shall be distributed  
5 to the satellite wagering facility as a commission for the right to  
6 do business, as a franchise, and this commission is not for the use  
7 of any real property, 0.54 percent shall be deposited with the  
8 official registering agency pursuant to subdivision (a) of Section  
9 19617.2 and shall thereafter be distributed in accordance with  
10 subdivisions (b), (c) and (d) of Section 19617.2, 0.033 percent  
11 shall be distributed to the Center for Equine Health, and 0.067  
12 percent shall be distributed to the California Animal Health and  
13 Food Safety Laboratory, School of Veterinary Medicine, University  
14 of California at Davis. It is the intent of the Legislature that the  
15 0.033 percent of funds distributed to the Center for Equine Health  
16 shall supplement, and not supplant, other funding sources.

17 (2) (A) In addition to the distributions specified in paragraph  
18 (1), for thoroughbred meetings, an amount not to exceed 4 percent  
19 of the amount handled by the satellite wagering facility on  
20 conventional and exotic wagers shall be distributed to an  
21 organization described in Section 19608.2 with the mutual consent  
22 of the racing association, the organization representing the  
23 horsemen participating in the meeting, and the board from January  
24 1, 2010, until December 31, ~~2013~~ 2019. However, the amount  
25 shall be no less than that specified in subparagraph (B), and any  
26 amount greater than the amount specified in subparagraph (B)  
27 shall be approved by the board for no more than 12 months at a  
28 time, and only upon a determination by the board that the greater  
29 amount is in the economic interest of thoroughbred racing.

30 (B) Commencing January 1, ~~2014~~ 2020, an amount not to exceed  
31 the amount of actual operating expenses, as determined by the  
32 board, or 2.5 percent of the amount handled by the satellite  
33 wagering facility on conventional and exotic wagers, whichever  
34 is less, shall be distributed to an organization described in Section  
35 19608.2.

36 (C) A request to the board for a distribution pursuant to  
37 subparagraph (A) shall be accompanied by a report detailing all  
38 receipts and expenditures over the two prior fiscal years of the  
39 funds affected by the request.

1 (D) The racing association whose request pursuant to  
2 subparagraph (A) has been approved by the board shall provide  
3 subsequent quarterly reports of receipts and expenditures of the  
4 affected funds if requested by the board.

5 (b) For harness, quarter horse, Appaloosa, Arabian, or mixed  
6 breed meetings, 0.4 percent of the amount handled by the satellite  
7 wagering facility on conventional and exotic wagers shall be  
8 distributed to the racing association for payment to the state as a  
9 license fee, for fair meetings, 1 percent of the amount handled by  
10 the satellite wagering facility on conventional and exotic wagers  
11 shall be distributed to the fair association for payment to the state  
12 as a license fee, 2 percent shall be distributed to the satellite  
13 wagering facility as a commission for the right to do business, as  
14 a franchise, and this commission is not for the use of any real  
15 property, and 6 percent of the amount handled by the satellite  
16 wagering facility or the amount of actual operating expenses, as  
17 determined by the board, whichever is less, shall be distributed to  
18 an organization described in Section 19608.2. In addition, in the  
19 case of quarter horses, 0.4 percent shall be deposited with the  
20 official registering agency pursuant to subdivision (b) of Section  
21 19617.7 and shall thereafter be distributed in accordance with  
22 subdivisions (c), (d), and (e) of Section 19617.7; in the case of  
23 Appaloosas, 0.4 percent shall be deposited with the official  
24 registering agency pursuant to subdivision (b) of Section 19617.9  
25 and shall thereafter be distributed in accordance with subdivisions  
26 (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4  
27 percent shall be held by the association to be deposited with the  
28 official registering agency pursuant to Section 19617.8, and shall  
29 thereafter be distributed in accordance with Section 19617.8; in  
30 the case of standardbreds, 0.4 percent shall be distributed for the  
31 California Standardbred Sires Stakes Program pursuant to Section  
32 19619; in the case of thoroughbreds, 0.48 percent shall be deposited  
33 with the official registering agency pursuant to subdivision (a) of  
34 Section 19617.2 and shall thereafter be distributed in accordance  
35 with subdivisions (b), (c), and (d) of Section 19617.2; 0.033 percent  
36 shall be distributed to the Center for Equine Health; and 0.067  
37 percent shall be distributed to the California Animal Health and  
38 Food Safety Laboratory, School of Veterinary Medicine, University  
39 of California at Davis. It is the intent of the Legislature that the

1 0.033 percent of funds distributed to the Center for Equine Health  
2 shall supplement, and not supplant, other funding sources.

3 (c) In addition to the distributions specified in subdivisions (a)  
4 and (b), for mixed breed meetings, 1 percent of the total amount  
5 handled by each satellite wagering facility shall be distributed to  
6 an organization described in Section 19608.2 for promotion of the  
7 program at satellite wagering facilities. For harness meetings, 0.5  
8 percent of the total amount handled by each satellite wagering  
9 facility shall be distributed to an organization described in Section  
10 19608.2 for the promotion of the program at satellite wagering  
11 facilities, and 0.5 percent of the total amount handled by each  
12 satellite wagering facility shall be distributed according to a written  
13 agreement for each race meeting between the licensed racing  
14 association and the organization representing the horsemen  
15 participating in the meeting. If, with respect to harness meetings,  
16 there are funds unexpended from this 1 percent, these funds may  
17 be expended for other purposes with the consent of the horsemen  
18 and the racing association to benefit the horsemen, or the racing  
19 association, or both, pursuant to their agreement. For quarter horse  
20 meetings, 0.5 percent of the total amount handled by each satellite  
21 wagering facility on races run in California shall be distributed to  
22 an organization described in Section 19608.2 for the promotion  
23 of the program at satellite wagering facilities, 0.5 percent of the  
24 total amount handled by each satellite wagering facility on  
25 out-of-state and out-of-country imported races shall be distributed  
26 to the official quarter horse registering agency for the purposes of  
27 Section 19617.75, and 0.5 percent of the total amount handled by  
28 each satellite wagering facility on all races shall be distributed  
29 according to a written agreement for each race meeting between  
30 the licensed racing association and the organization representing  
31 the horsemen participating in the meeting.

32 (d) Additionally, for thoroughbred, harness, quarter horse, mixed  
33 breed, and fair meetings, 0.33 percent of the total amount handled  
34 by each satellite wagering facility shall be paid to the city or county  
35 in which the satellite wagering facility is located pursuant to  
36 Section 19610.3 or 19610.4.

1 (e) Notwithstanding any other ~~provision of~~ law, a racing  
2 association is responsible for the payment of the state license fee  
3 as required by this section.

O